

Weekly Contributions

[REDACTED] ONE, CIA
17 May 1949

Of the developments reported on this week, [REDACTED] finds of particular interest the item on Ecuador (p. 3); there the nice balance of forces opposed to Galo Plaza appears to be changing, through new alignments, to a situation unfavorable to the continued political stability of the government.

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CURRENT DEVELOPMENTS

NORTHERN DIVISION: Cuban political conditions do not now favor a US-Cuban aircraft-clearance agreement (p. 2).

CENTRAL DIVISION: In Ecuador, new alignments among forces opposed to the President may make the administration's position less secure (p. 3). Colombia's congressional elections are unlikely again to be postponed (p. 2).

SOUTHERN DIVISION: Peru's military junta may be less sympathetic with the US as the result of the withdrawal from the junta of Admiral Saldivas (p. 3). The Bolivian Government, evidently doubtful of its strength, has yielded to new demands by labor (p. 3). Chile's economy may be seriously affected by the lower price of copper (p. 3).

SPECIAL SUBJECTS

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1. CUBA: Overflight Rights for US Military Aircraft

Cuban political conditions can introduce complications into proposed US negotiations for an agreement to permit US military aircraft to overfly Cuban territory without prior notification. CIA estimates that (1) discussions on the subject, if instituted, might be long, difficult and conducive of acrimonious public debate; (2) Cuba may insist on reciprocal rights for its military aircraft over US territory as the sine qua non of consent to such an agreement; and (3) the influential Cuban nationalists might join with the Communists to oppose the agreement, to the detriment of other Cuban-US problems that require for solution a generally cooperative public attitude.

The US National Military Establishment has proposed that military aircraft which overfly Cuba without intending to land shall be allowed (1) to overfly any part of Cuban territory without prior notification other than the filing of routine flight plans; or (2) if this is not agreeable to Cuba, to overfly Cuba through air corridors ten miles wide which the Cuban Government shall establish along direct routes from Florida to the Panama Canal, to the Vernal Air Base in Jamaica, and to the US Naval Air Station at Quantánamo Bay. Both alternatives would eliminate the existing requirement -- often ignored by US military pilots with embarrassing results, especially if their plane makes a forced landing in Cuba -- that permission of the Cuban Government be requested before each flight over Cuba and that the overflying plane shall await this permission before taking off.

2. COLOMBIA: Congressional elections are likely to be held as scheduled for 5 June 1949.

The government's appointment of army officers to political positions in the troubled areas of the country should reduce the rioting and political terrorism which at one time caused the president to consider seriously the necessity for the declaration of a state of siege and a concomitant postponement of elections. Both the Liberals and the Communists have already selected their candidates. The Communists had hoped to join forces with the Liberals of the extreme left, but, being rebuffed, have been obliged to present a separate list. The Liberal Party's own choice of candidates shows a strong leftist tendency within that party, and, consequently, many of the votes which otherwise would go to Communist candidates may be expected to fall to Liberal candidates. Furthermore, if the majority of Conservative candidates are from the extreme right (the selection if made has not been reported), the Liberal Party can count on retaining the vote of the moderate or Santista Liberals and will thereby win a clear majority in both Houses.

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3. ECUADOR: The relative security and stability of the Plaza administration may be coming to an end. US Embassy Quito reports that the various leftist political groups are gaining strength at the expense of the Liberals. [REDACTED]
[REDACTED] So far, there has emerged no leader capable of unifying such opposition. Certain important army officers have been flirting with both opposition groups. Should they cast their lot with the leftist groups, a military leader would, in all probability, emerge. Any continuing trend in this direction will destroy the balance that has existed among the political opposition groups on the one hand and among the anti-Plaza military groups on the other -- a balance which up to now has been Plaza's main source of strength [REDACTED] (Wkly, 19 Apr 49). 25X1
4. PERU: The Odría junta may become somewhat less pro-US as a result of the sudden and unpublicized departure to the US of Minister of Marine, Admiral Roque A. Saldías, ostensibly for medical treatment. The US Embassy believes that Odría may have suggested the withdrawal as a result of the Admiral's disagreement with various junta policies and his unconcealed impatience with [REDACTED] some of the junta members. As Admiral Saldías has been the junta member "closest to the US from the standpoint of experience, contact with North Americans and sympathy with US institutions and ideals", his departure has removed a counterbalance to the nationalistic and anti-US attitude of certain other members of the junta. 25X6
5. BOLIVIA: The government's granting of new demands by labor may indicate that it is too doubtful of its own strength -- in spite of election gains and army support -- to risk labor disturbances, which reportedly form part of a continuing MNR plan to weaken the administration and pave the way for its overthrow. Government attempts to appease labor by awarding considerable increases to Catavi mine workers [REDACTED] (Wkly, 26 Apr 49) and by agreeing to subsidize a railroad company to enable it to meet employee demands, may encourage other workers to ask for increases. The continued granting of such requests would increase the existing inflation and accentuate the economic dislocation that has resulted from a drop in mineral prices. 25X1
6. CHILE: Decline in copper prices menaces Chilean economy, according to a report from Ambassador Powers. The immediate effect in Chile of the recent drop in the price of copper, Chile's principal export and source of dollar exchange, from 23 1/2 cents to approximately 18 1/2 cents, has been (1) a decrease in copper production, sales, and employment; (2) a slowdown in work on the new

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plant at Chuquicamata; and (3) an almost complete stoppage in granting of dollar exchange for imports.

If the lower price continues and assuming over-all export volume to remain the same, the loss in annual government revenue has been estimated in Chile at not less than 1 billion paper pesos or 7 percent of the 1949 budget. The probable loss in dollar exchange is placed at as much as US\$25 million, which would exceed 15 percent of total dollar receipts anticipated from visible trade in 1949. As the amount of dollars available to Chile declines, there will be increasing pressure further to divert its trade to European soft-currency countries. Should the price decline force a suspension of production by the marginal, high-cost producers, labor and social problems resulting from a setback to an industry which is a major employer would have to be met.

President González Videla, who in talking with Ambassador Bowers has said he fears the situation may result in a grave threat to Chilean political as well as economic stability, has probably overstated the extent of the threat to the Chilean political stability that may result from the decline in the price of copper; he has in the past been noticeably alarmist and quick to seek US assistance on the grounds that his government is a bulwark against any Communist threat to US interests in Chile. The Department of State has wired the US Embassy suggesting that the Ambassador stress the hope that the Chileans find some other method to make up the budget loss than by increasing the tax on copper companies, a step which would weaken confidence of foreign investors in Chile.

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The Current Situation in Nicaragua

(Summary: There has been no significant change in the Nicaraguan situation during the past three months. Political calm prevails, the economic crisis persists, and there are indications that General Somoza plans to assume direct control of the government. Internal opposition to Somoza is at a low level and the Guardia Nacional remains loyal to him. The small Communist movement continues its efforts to gain a hold over labor, and to abstain from political activity. Nicaraguan revolutionary factions continue to be active in Guatemala, and an integrated anti-Somoza movement may be consolidated in the future. In international affairs, Nicaragua continues to support the US.)

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The situation in Nicaragua remains essentially as reported three months ago [redacted] Wkly, 15 Feb 49) and in subsequent articles. COAS action in the Costa Rican dispute, which had the effect of forestalling an invasion of Nicaragua by the anti-Somoza Caribbean Legion [redacted] Wkly, 1 Mar 49) 25X1 was followed by a period of political calm during which General Somoza retired to his plantation to oversee his sugar-cane harvest.

The harvest completed, Somoza returned to Managua to face the worsening economic situation caused by an acute dollar shortage, a poor coffee harvest, and falling sesame prices [redacted] Wkly, 26 Apr 49). Apparently 25X1 hoping for US aid, he has attempted to stimulate interest in the Nicaraguan canal project or completion of the Rama road. Either of these projects, if undertaken, would bring much-needed dollars into the country. 25X6

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Somoza has also criticized the government of President Román [redacted] and inept handling of the economic crisis. The seriousness of the situation was emphasized by the publication, on 7 April, of new decrees for the stabilization of exchange — restricting the granting of commercial credit, limiting loans to 90 days or less and preventing their extension, limiting non-essential imports, outlawing the purchase and sale of exchange by individuals, and closely supervising all monetary transactions. The new decrees, following closely the recommendations made recently by a commission of the International Monetary Fund, are not universally popular. Coffee growers (the leading exporters) have hoped to be allowed to retain a percentage of the dollar exchange realized from coffee exports for their own use. In criticizing the Román government, Somoza may therefore attract the support of this influential group, which prefers dollars to córdobas. His actions also lend support to the rumor that he plans to resume direct control of the government — something which could be accomplished with ease due to the low level of internal opposition activity and the continued loyalty of the Guardia Nacional [redacted] Wkly, 15 Feb 49).

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The small Partido Socialista de Nicaragua (Communist) continues its attempt to consolidate its influence in labor groups Wkly, 15 Feb 49). As have the anti-Communist, government-sponsored labor groups, it too has initiated an effort to organize a single general labor confederation, over which it hopes to gain eventual control. It is also engaged in preliminary attempts to organize the coffee workers and to bring women laborers under the control of the party. The party is avoiding political activity at the present time, due to its lack of strength and the terms of its agreement with Somoza.

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Although internal opposition is at a low ebb, various Nicaraguan revolutionary factions continue their activities in Guatemala, and there is a possibility that sufficient unity may be achieved in the future to permit an integrated attack against Somoza. Consolidation of the Caribbean Legion in Guatemala, the internal situation in that country, and President Arévalo's personal sympathies may serve to strengthen the revolutionary movement.

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the arms of the Caribbean Legion are being moved, in quantity, from Costa Rica to Guatemala. Since the Legion organization has been divided in the past between the two countries (with the greater portion in Costa Rica) this development represents a consolidation of the organization at a single base, and may presage renewed activity based on a reorientation of plans. Increased Guatemalan support of the Legion could develop out of the domestic political situation, if the liberal Arevalista parties see in the presence of Legion arms and personnel a means of counteracting the influence of the Guatemalan Army under Colonel Arana. This development is not improbable, in view of the approaching elections and the growing strength of the conservative opposition, which looks to Colonel Arana as Arévalo's successor. It is possible also that President Arévalo's personal sympathy for Professor Edelberto Torres -- a fellow intellectual and Central American Unionist -- may develop into increased support for the Legion. In the past, the Independent revolutionary faction of Torres and Castillo Ibarra worked closely with the Liberal revolutionary faction of Rosendo Argüello, Jr. (part of the Caribbean Legion), and it is possible that Arévalo's support of the Legion was due, in part, to his desire to help Torres. After Torres was seized and imprisoned by Somoza last year, Arévalo's interest in the Legion was observed to wane, but now that Torres has been released and is back in Guatemala, Arévalo's support of Nicaraguan revolutionary activity may be expected to increase -- contingent upon general recognition of Torres as leader of the movement. As yet there is no indication that Arévalo plans to give substantial military assistance to any of the revolutionary factions. However, if a compromise in leadership is worked out among any of the groups concerned (Liberals, Independents, Conservatives) his assistance may be forthcoming.

At the moment, therefore, the Nicaraguan revolutionary situation is in a state of flux, out of which may emerge a stronger and better organized

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opposition movement based upon compromise. There is apparent sympathy between the Conservative faction (led by Chamorro) and the Rodríguez faction of the Caribbean Legion. There is also sympathy, and a record of cooperation, between the Independent faction of Torres and the Liberal faction of Rosendo Argüello. With Argüello Jr.'s leadership distasteful to some Liberals and weakened by the recent failure of his Costa Rican plans, with aged General Chamorro rumored to be less active in the Conservative leadership [] Wkly, 15 Feb 49), and with Torres in a position to obtain aid from President Arévalo, a recombination of Nicaraguan revolutionary forces n. t only appears to be in order, but a distinct possibility.

In the field of international relations, Nicaraguan officials have recently made pointed and emphatic statements expressing their solidarity with the US point of view. Embassy Nicaragua reports that "this propaganda barrage . . . may be the prelude for some request".

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The Current Situation in British Guiana

(Summary: British Guiana is not at this time of direct importance to US security interests. As a Crown colony it has but little self-government. Its present economic importance depends to a considerable extent on its two main exports, sugar and bauxite. Economic problems of some concern are those due to underdeveloped resources and lack of labor supply. Possibilities for future development are promising, but no appreciable change can be expected soon. There are two main labor unions, both with leftist leaders, but Communism does not appear to be a threat. British Guiana's relations with other countries involve no problems of consequence; there is general opposition to joining a federation of the British West Indies, but interest has been shown in cooperation with the other two Guianas.)

British Guiana is not at present of direct importance to US security interests. The US Air Force is deactivating its base at Atkinson Field, since it is not considered necessary in the present scope of the Air Force plans for defense. In case of emergency, however, the lease agreement is still in effect and the base could be reactivated. The strategic value of British Guiana lies in its bauxite, over 90 percent of the total production of which is exported to Canada. Although the population is not hostile to the US, its attitude is somewhat adversely influenced by the racial prejudice associated with the US.

As a Crown colony, British Guiana has a very limited degree of self-government. There is a legislative council consisting of 14 elected members and 10 appointed by the governor. Politically, the trend is toward the left. The labor candidates, supported by the British Guiana Labor Union Party, fill seven of the legislative seats. The powers of the governor, however, are so extensive that he can effectively block any legislation if he deems it necessary. Property and literacy qualifications greatly limit the size of the electorate thereby giving only a small minority of the population (5 percent) any political power.

British Guiana is the leading producer of sugar among the British colonies in the Western Hemisphere. In spite of the more or less chronic labor absenteeism, sugar production increased in 1948 and is expected to show even further gains in 1949. Rice, cultivated independently by East Indians on small farms, is assuming more and more importance. Sugar and rice are both exported to the Empire, the former going chiefly to Canada and the latter to the other colonies in the BWI. The long-range plan of the British Government envisages even further development of rice with the view of making British Guiana one of the main rice-producing areas in this hemisphere. Of the mineral commodities, diamonds, of which about 40

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percent are of industrial value, are exported to the UK; gold goes almost entirely to the US. The leading mineral product, however, and a close second to sugar in export importance, is bauxite. British Guiana is Canada's principal source of bauxite. In 1948 production reached its second highest peak in history, totaling 1,871,166 long tons. Although there are at present only two active bauxite producers -- the subsidiary of the Aluminum Company of Canada, which is the leading one, and a subsidiary of the American Cyanamid and Chemical Corp. -- many undeveloped deposits are being examined by other companies, including US companies.

British Guiana's position is quite different from that of the BWI colonies in that its economic problems are due to the lack of labor supply and underdevelopment of its potentially large natural resources rather than to over-population and limited resources. It is estimated that the colony possesses further agricultural possibilities, a wealth of timbers, minerals, and potential hydroelectric power, all of which if properly developed will place British Guiana in a significant position in the British Empire. The recommendations of the Evans Commission envisage the settlement of some of the surplus West Indies population concomitantly with the development of British Guiana's natural resources. Before any steps implementing the plan can be taken, a great deal of preliminary investigatory work -- particularly with respect to transportation and housing -- must be done. Some initial steps have already been taken in this direction. The possibilities of dredging the sandbar at Essequibo River, which would enable large ships to penetrate the interior, have been examined. Negotiations for the purchase of a grant by a quasi-official British entity for the development of the timber resources are under way. It is not expected, however, that the ambitious plans will come to fruition for many years.

The two chief labor unions are characterized by racial as well as occupational differences. The Manpower Citizens' Association, of which Ayube M. Edun is the president, embraces the East Indian plantation workers. This organization has been successful in securing collective bargaining agreements with sugar employers. The British Guiana Labor Union consists of Negro city workers, led by Hubert N. Critchlow, who is also president of the British Guiana Labor Party. The attitude of these two important labor leaders is leftist. Both advocate many social and economic reforms (Edun's organization supports nationalization of the sugar industry), and full self-government by 1951 or 1952. The governor's tolerant attitude toward labor is responsible in no small measure for the generally peaceful settlement of labor troubles. Mr. Edun denounced the actions of the Guiana United Industrial Trade Union, an unrecognized union headed by Dr. Lachman Singh, which incited the sugar workers to riot last year. A commission of inquiry from Britain was recently in the colony to inquire into the incident and report on the sugar industry as a whole, with special reference to labor conditions. Labor difficulties are attributed to

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resentment of the concentration of ownership in a very small British minority and to the fact that the plantations do not offer steady enough employment at sufficiently high wages.

Communism does not appear to constitute a threat in British Guiana. Although Dr. Singh and Mr. Cheddi Jagan (member of the legislative council) tend to be militant labor agitators and are allegedly Communist-inspired, there is increasing public sentiment against Communism. The general tendency of deploring disorders, and the recent peaceful settlement of disputes by employers and representatives of recognized labor unions, are strong indications that there is no danger at present from Communism.

The people of British Guiana have not traditionally associated themselves with the peoples of the BWI and are in general opposed to any affiliation with a BWI federation. The people feel they have little in common with the Caribbean islands. One segment of the public sees some economic advantages in a customs federation. The most vociferous opponent to any federation plan is Mr. A. M. Edun, leader of the East Indians. He is skeptical of the claim for economic advantages, since he views the plan as a convenient means of insuring British goods against the competition of cheaper goods from other sources. Moreover, the East Indians would become a racial minority in any federation. Although the legislative council voted 13 to 5 last year to reject federation, the door was left open by agreeing to participate in future conferences of the standing committee on federation of the BWI. On the other hand, the colony has shown interest in cooperation with the other two Guianas. At a recent meeting of the governors of the three Guianas, it was agreed that there should be an interchange of information on mining, forestry, agriculture, fishing, transport, commerce, and public health.

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